



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers & Merchants National Bank of West Point
Charter Number 14308**

**P. O. Box 266
West Point, Nebraska 68788**

**Office of the Comptroller of the Currency
Omaha Duty Station
11606 Nicholas Street, Suite 201
Omaha, NE 68154**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Farmers & Merchants National Bank of West Point** prepared by **The Office of the Comptroller of the Currency**, as of **October 17, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Farmers & Merchants National Bank of West Point, West Point, Nebraska is actively meeting the credit needs of its community. The bank has a high loan to deposit ratio compared to other institutions in the area. A majority of the bank's loans are made to customers within its assessment area and lending efforts reflect reasonable penetration to individuals of different income levels and farms of various sizes.

The following table indicates the performance level of **The Farmers & Merchants National Bank of West Point** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Farmers & Merchants National Bank of West Point</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis not meaningful. All geographies are middle income.		
Response to Complaints	No complaints have been received since the last examination.		

DESCRIPTION OF INSTITUTION:

The Farmers & Merchants National Bank of West Point (F&M) is a \$70 million bank located in Eastern Nebraska. In addition to its main office in downtown West Point, the bank operates a separate motor bank and three automated teller machines. No legal or financial impediments exist which would preclude this institution from fulfilling its obligations under the CRA. The bank is wholly owned by West Point Bancorp Inc., a multibank holding company.

The bank offers a full range of loan products but is primarily agriculture-oriented. As of June 30, 1996, 77% of the loan portfolio consisted of agricultural production and real estate loans, while residential real estate loans and commercial loans represented 9% and 8% of the portfolio respectively. The bank also offers various consumer loan products, but these loans represent only 2% of total loans. The last Community Reinvestment Act examination was completed by the Comptroller of the Currency on January 5, 1994 when the bank was found to have a "Satisfactory Record of Meeting Community Credit Needs".

DESCRIPTION OF CUMING COUNTY:

F&M has designated Cuming County, Nebraska as its assessment area. The assessment area does not arbitrarily exclude any low- or moderate-income areas. The county's population was 10,117 as of the 1990 census and is divided into three block numbering areas (BNAs). All three BNAs were designated middle income in the 1990 census. The state nonmetropolitan median family income is estimated at \$35,100 for 1996, while Cuming County's median income is estimated to be approximately \$32,600. The 1990 census information indicated 15% of families in the county are low income, 25% moderate income, 27% middle income, and 33% upper income. Ten percent of households were below the poverty level. Agriculture is the primary industry in the area, with farming and meat packing providing significant employment.

The primary needs identified by the bank are agriculture loans and loans to finance affordable housing. We reviewed two community contacts we had on file which confirmed these as the community's main credit needs. Competition within the assessment area includes eight banks, a branch of a savings bank, and Farm Credit Services. Finance companies are also active in consumer financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

F&M's quarterly average loan to deposit ratio for the eight quarters ending June 30, 1996 was the highest of the eight banks in the assessment area at 81%. Other area bank ratios ranged from 62% to 79%. In addition, loan commitments totaling \$10,655,000 with outstanding balances of \$4,242,500 had been sold to other financial institutions as of August 30, 1996.

A majority of loans are made within the assessment area. We reviewed a sample of 126 agriculture loans originated since January 5, 1994 and 13 residential real estate loans made since January 1, 1995 as an indication of lending levels inside the assessment area. A larger sample of agricultural loans was reviewed since these represent the largest portion of the portfolio. Results of our review are summarized below.

<i>Agriculture Loans</i>				
	Number	% Number	\$ Volume	% \$ Volume
In assessment area	116	92%	10,581,927	82%
Out assessment area	10	8%	2,337,583	18%
Total	126	100%	12,919,510	100%

<i>Residential Real Estate Loans</i>				
	Number	% Number	\$ Volume	% \$ Volume
In assessment area	12	92%	931,888	94%
Out assessment area	1	8%	60,000	6%
TOTAL	13	100%	991,888	100%

The bank has a reasonable penetration of loans to borrowers of different income levels and agriculture borrowers of different sizes within its assessment area. We sampled 80 agriculture loans originated since January 5, 1994 and 12 residential real estate loans made since January 1, 1995. Results of our review are summarized below.

<i>Agricultural Loans</i>				
Gross Revenues	Number	% Number	\$ Volume	% \$ Volume
\$0-\$100M	33	41%	675,595	8%
\$100M-\$250M	27	33%	985,630	12%
\$250M-1,000M	10	13%	629,930	8%
>\$1,000M	10	13%	5,999,152	72%
Total	80	100%	8,290,307	100%

<i>Residential Real Estate Loans</i>				
Income Levels	Number	% Number	\$ Volume	% \$ Volume
Low	0	0%	0	0%
Moderate	4	33%	163,344	18%
Middle	2	17%	76,175	8%
Upper	6	50%	692,369	74%
Total	12	100%	931,888	100%

The chart reflects no penetration for low income residential loans. Management noted that high housing demand has increased housing prices beyond the reach of most low income individuals. A sample of 28 home sales in Cuming County during 1996 reflects a median sales price of \$60,000. Only five sales were below \$40,000. In addition, a review of credit denials revealed no applications from low income residents during the last 18 months.

F&M is in compliance with antidiscrimination laws and regulations. Our review did not disclose any evidence of discrimination or other illegal credit practices.